

Dr Kathleen Dermody
Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

By email to economics.sen@aph.gov.au

Dear Dr Dermody

Inquiry into the Tax and Superannuation Laws Amendment (2015 Measures No. 1) Bill 2015

The Alternative Investment Management Association (AIMA)¹ is grateful for the opportunity to respond to the Senate Economics Legislation Committee's invitation to make submissions on the provisions of the Tax and Superannuation Laws Amendment (2015 Measures No. 1) Bill 2015 (the Bill) which, pursuant to a resolution of the Senate of 13 May 2015 regarding time critical bills, has been referred to the Committee for inquiry and report.

The provisions of the Bill which are of relevance to our members are those brought forward to implement changes to the investment manager regime (IMR) in schedule 7 to the Bill. AIMA has followed the development of the IMR since the recommendations made by the Johnson Report in 2009 and has, together with the Managed Funds Association (MFA), made a number of submissions to the Treasury during this process and discussed with the Treasury the attributes which effective IMR legislation should contain.

We welcome the IMR provisions contained in the Bill which we consider to be very much more suitable for their intended purpose than earlier proposals. In particular, the inclusion of an "independent Australian investment manager" limb to the IMR concession which closely follows that available in the UK (the investment manager exemption (UK IME) and other jurisdictions is a significant addition which we believe will prove to be of significant benefit to the Australian financial services industry.

Our most significant remaining area of concern is the requirement in section 842-235(9) that, in order to exclude amounts equivalent to manager's remuneration when determining whether the interests in the non-resident entity are such that the non-resident entity is widely-held (the 20% test and 50% test in section 842-230(2)(a)), the manager (or its connected entity) of the non-resident entity must be an independent Australian fund manager in relation to the non-resident entity. When a non-resident entity wishes to rely upon the direct IMR concession (section 842-215(3)), it will very likely not have a separate independent Australian fund manager (since it would in that case likely be able to fall within the indirect IMR concession (section 842-215(5))). We request that further consideration be given to this point.

Yours sincerely,

Paul Chadwick
Chairman, AIMA Australia National Group

¹ Founded in 1990, the Alternative Investment Management Association (AIMA) is the global representative of the hedge fund industry. Our membership is corporate and comprises over 1,500 firms (with over 8,000 individual contacts) in more than 50 countries. Members include hedge fund managers, fund of hedge funds managers, prime brokers, legal and accounting firms, investors, fund administrators and independent fund directors. AIMA's manager members collectively manage more than \$1.5 trillion in assets.